

Total Compensation Advisory Council (TCAC)
Minutes of the Meeting of November 18, 2005

Present:	Mary Ann Myer Joe Nicolini Ted Hollman	Nancy Brown Barbara McBride Patty Goodwin
DPA	Jeff Schutt David Kaye Karen Fassler Suzanne Kubec Anne Marcovecchio	
Guest	Don Schaefer	

Mr. Schutt chaired the meeting, the minutes from the August 1, 2005, were approved as written.

PERA Presentation: Don Schaefer from PERA distributed information on PERA benefits (power point file available upon request) including an overview of PERA's financial status and activities. As questions regarding PERA's funding have been raised and the fact that the funding ratio (% of assets compared to PERA liabilities) has dropped from highest 105.2% in 2000 to 70.4% in 2004. Don pointed out that if there were not a sufficient recovery in the investment markets in the near future, the long-term ability of the PERA to support the benefits would be challenged, unless a significant increase in the contribution rates is made.

Don assured the Council that PERA is not in a financial crisis, and will not be broke in 30 years. PERA reviews its financial status annually and will propose changes if needed. Finally, Don clarified the role of Board members, who are elected by PERA members and are not paid. The members work for the members only, not for any other allegiance. Some specific recommendations made by the Treasurer's Commission included increasing the employee contribution rate from 8% to 10.15%, lowering cost-of-living adjustment (COLA), and increasing retirement age for members under 40 to a minimum of age 55, with the possibility of increasing age to 65 in the future.

Retirement Plan Choices: Anne Marcovecchio distributed information on the Retirement Plan Choices for new hires, effective January 1, 2006. Beginning January 1, 2006, new employees will choose between three retirement plan options for their basic retirement. State defined contribution (State DC), PERA defined benefit (PERA DB), and PERA defined contribution (PERA DC) plans. Employees will have 60 days to elect one of these three plans, with the default being the PERA DB plan. All State employees, except those of Higher Education Institutions, are eligible for the new plans. Additionally, for those new employees that may have participated in any of these plans within 12 months from being hired, they will be required to continue participation in that Plan. Currently, state employees pay 8% toward retirement benefits (10% for Troopers); the State is paying 10.15% for general employees and 12.85% for Troopers.

Retirement choice meetings with various agencies across the State have been scheduled. The eligibility for a retirement plan will be verified through a file transfer process between the State and PERA. Members questioned the reasoning and expressed some concern with the number of

choices facing new employees and the potential adverse selection against the current DB plan, which PERA will monitor.

2006 Legislative Initiatives: Mr. Schutt indicated that the department has two legislative initiatives at this time. The Legislative Audit Committee is sponsoring both initiatives. One is changing the Whistleblower statute so the director's office no longer does the initial investigation. The other initiative is related to total compensation and would collapse the current three-line appropriation to two lines. Under the proposed legislation Health Life and Dental would be one line and salary increases (survey and performance awards) would be the other.

Update on Annual Compensation Recommendations: Mr. Schutt reported that the annual compensation report shows the average salary adjustment request was 2.8% with 0.84% base building performance pay and 1.25% non-base building performance pay. In the past week, OSPB proposed a total 3.64% salary increase budget request to the Governor, which eliminates the 1.25% non-base performance pay request. The Division will prepare a December update to include most recent survey data sources that were not available for the August 1 report. The final market findings will be published and the Director's recommendations will follow with the December survey update publication.

The Joint Budget Committee briefing is January 3rd and the hearing is January 9th.

Tentative Agenda for January 20, 2006 meeting:
Moving people through the range